

A Response to the Response

Answering the State Department of Education's comments on Governor Haley Barbour's Education Column

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The Governor's Office enjoys a good working relationship with Dr. Henry Johnson and his staff at the State Department of Education. Dr. Johnson is one of America's finest education leaders and Mississippi is blessed to have him as our State Superintendent. We have also appreciated the State Department of Education's support of Governor Barbour's "UpGrade" education reform package, and we have strongly applauded many of their worthwhile reform efforts.

While Governor Barbour's education efforts have focused on fundamentals and not just funding, next year's budget -- and the education budget in particular -- is the topic of the day in Mississippi. Governor Barbour believes that -- instead of just accepting whatever amount is requested -- it is healthy to have a discussion about the level of education spending.

It is undeniable that Mississippi has significantly increased education funding, and Governor Barbour not only believes our state should be proud of that, but that education spending should be increased again for next year. The question is how much that increase should be, not should there be an increase.

"some people say if you favor giving our public schools a 4% increase in funding... you are against public education."

The governor touts that his proposed K-12 budget is a 4% increase over the current year's allocation for schools. While the governor's budget would give school districts \$69 million over their current year's funding, it does not cover the \$94.5 million needed for the state-mandated teacher pay raise or the additional \$29.7 million in the increased costs of health insurance and the employer's share of retirement contributions, which are state mandates if enacted in law this year. The increase in salaries and benefits totals \$124.2 million. If those costs are incurred, school districts would have to absorb \$55 million in state mandates above the current year's funding level. Last year school districts had to absorb \$45 million in state-mandated costs, meaning that school districts would be absorbing \$100 million in state mandates in two years.

ANSWER

Governor Barbour's original budget was released last year using expected revenue figures at the time. However, the Governor has said publicly that recent increases in expected revenue should provide substantially more money for K-12 than was originally budgeted.

“Education spending in Mississippi has risen nearly 50% in the last five years.”

Obviously education spending has risen over the past several years. The MAEP was designed to do just that, provide additional resources to school districts, based on adequacy and equity. Based on appropriations over the past 5 years (from 2001-2005) for minimum program/MAEP, school district funding increased from \$1,362,528,319 to \$1,773,075,721, or 30%, not 50%. Over the past 6 years (from 2000-2005) the appropriated level increased from \$1,306,333,409 to \$1,773,075,721, or 36%. The governor’s claim of a 50% increase over the past five years is simply not true, as the appropriated levels clearly show. In addition, if the cost of the teacher pay and health insurance increases are deducted, the net increase in k-12 spending is only 5.3% over the past five years.

ANSWER

First, 2001 to 2005, is four years not five years. But either way, both numbers are impressive -- +30% in 4 years and +50% in 5 years. Over the last five years, using the state superintendent’s financial reports, MAEP and minimum program money, which is the state funding stream to the districts from the general fund, went from \$1,210,145,046 in FY 00 to 1,773,075,721 in FY 05. This is an increase of \$562,930,675, or 47% in five years.

The State Board of Education compares appropriations bills over time which is problematic because there were times during those years when Governor Musgrove had to cut education by 5% after the appropriations bills had been enacted.

Indeed the teacher salary increases accounted for about half of the MAEP increases since it has cost the state \$267.1 million from FY 02—FY 05. But this leaves a balance of \$295,830,675 of non-teacher salary increases, or an increase in MAEP spending from the general fund for non-teacher costs of about 25% since FY 00—not 5.3%.

This information is publicly accessible information and can be found on the MDE website: (HREF="<http://www.mde.k12.ms.us/public.htm>").

“local school districts actually have almost \$250 million in their reserve accounts this year.”

In the past two years, school district end-of-fiscal year fund balances in June have now become the reason not to fund MAEP. There is a wide range of difference in resources available to school districts in Mississippi. As good business practice, school districts set aside reserve funds for emergencies, capital improvements and other operational needs. School districts also rely on these reserves between the beginning of the fiscal year in July and when districts receive tax receipts in January. The end of December would be a better snapshot of actual ‘reserve’ funds available to school districts. One fact is clear; if the state continues to pass unfunded mandates to the local communities, the reserves will be depleted. How will the state support the schools when all reserves have been depleted?

ANSWER

In 2001, Governor Musgrove had to cut 5% from K-12 because more money was given to them than the state could afford. In 2002, the state department recommended that the districts set back an additional 5% in addition to their existing 5% recommended end fund balance in the

event that such cuts would happen again— creating the so-called “rainy day fund.” This was a good management decision at the time. However, when the cuts didn’t come, the districts chose not to use the additional revenue that year. In fact, over the next three years, districts continued to save 5%, compounding these rainy day funds to the point where they grew from \$231 million in FY 01 (18% of MAEP), \$267 million in FY 02 (20% of MAEP), \$349 million in FY 03 (23% of MAEP), and \$345 million in FY 04 (20% of MAEP). This was money that the Legislature appropriated to districts in good faith that it would be spent on the children that year. The numbers clearly indicate that the districts instead have been hoarding this money.

It is disappointing this year, just as last, to see teachers get “pink-slipped” in districts with overwhelming amounts of money—some in excess of 20% of their state contribution. In FY 04, less than 10 districts had less than 5% in their end fund balance. Our message to the districts is simple: it is raining in Mississippi -- use your end fund balances if necessary.

“The state department of education is asking for a 15% increase in funding over last year.”

The state board of education is required by law to present a budget to the legislature, based on the MAEP formula. It’s the law, not the state department of education. That point needs to be made crystal clear. If the governor does not like the level of funding for school districts, his issues should be directed at the law, not the state department of education. The department does not establish laws and is only doing what the law directs it to do. A significant portion of the increase is due to underfunding in previous years and the costs associated with the teacher pay increase.

ANSWER

While it is true that the MAEP formula resides in the Mississippi code, the State Department of Education uses a great deal of discretion in making its recommendations.

For instance, the law says nothing about asking for any underfunded amount – which the SDE has done. What state agency expects to get the difference in their request plus any increased costs from year to year?

Additionally, the code directs the state department to use level 3 districts to determine MAEP. There is no such thing as a level 3 district anymore. This bases the state’s largest expenditure on outdated methods that are inherently inefficient. A PEER report released in 2002 and the former House Education Committee chairman suggested the very same thing. That is why the Governor supports objectively studying the formula this year to develop a sustainable and equitable method of funding education.

As an example of this, the State Department this year chose, in its discretion and upon a vote by the State Board of Education, to overlook a \$91 million accounting error this year. This stands in contrast to the purported infallibility of the MAEP formula number.

“My budget fully funds next year’s teacher pay raise, doubles the funding for classroom supplies, funds textbooks for the first time in years and increases classroom funding by 8.3% and total education funding by 4% compared to this year.”

The governor’s budget increases funding for next year by \$69 million above the current year’s funding level. However, the teacher pay increase plus the associated benefit increase for insurance and retirement will cost \$124 million. The net decrease in actual funding for schools from FY05 to FY06 would be \$55 million.

In the current school year, all but approximately \$3.5 million of the approximately \$20 million in classroom supply funds were diverted to MAEP on a one-time basis. The governor’s FY06 budget recommendation provides \$7 million for classroom supplies, which doubles the current year’s reduced amount. However, the law fully restores the approximately \$22 million for classroom supplies projected for fiscal year 2006. Therefore, the governor’s FY06 budget recommendation actually *reduces* the teachers’ classroom supply funds by \$15 million.

Textbooks are funded through MAEP, which replaced the previous method of allocating funds for textbooks through education enhancement funds. Textbooks are funded through the MAEP base student cost formula.

ANSWER

The Governor’s plan for teacher supply money was predicated upon the assumption that Education Enhancement Fund money would once again be diverted to fund MAEP as both the House and Senate proposed during conference negotiations. The Governor’s plan would give an additional \$3.5 million to districts in addition to the money already set aside for textbook supplies in the MAEP formula. This money has been zeroed out over the past three years.

“While k-12 spending has risen nearly 50% with no increase in students, Mississippi universities and community colleges have seen their funding slashed over the last five years.”

First, k-12 spending has not risen 50% in the past five years (see page 1). The state board of education believes that all three educational entities in the state—k-12, community colleges and universities—must work together for the educational system to succeed and for Mississippi to prosper. It is wrong to characterize the adequate funding of k-12 education as being counter to the mission of higher education. The state board of education fully supports adequate funding for community colleges and universities.

ANSWER

As demonstrated above, education funding has gone up 50% in five years. There is no denying the fact that as K-12 spending has gone up with student populations staying about the same, community colleges and IHL spending has gone down with concurrent increases in both students and tuition.

“Some editorial writers like to point to Mississippi’s rank in state education spending surveys but fail to take into account cost-of-living differences between our state and states like New York, for example.”

The Mississippi adequate education program is based on actual dollars spent by schools in Mississippi and is designed to establish adequacy and equity in funding for schools. Mississippi is one of the poorest states in the nation and ranks 49th in per-pupil expenditures on k-12 education. Again, the current law establishes the level of funding for k-12. We can make any number of comparisons to support or not support increased funding for k-12 education. It all comes down to what the priorities will be for the state and the ability and public desire to pay for it.

ANSWER

It is more than suitable to compare economic indicators when it comes to education. Per capita income is generally agreed upon by economists as a valid way to standardize cross-state comparisons. When you take what \$1,000 means to all states and compare it to educational funding, Mississippi ranks 21st in the nation. Why should we ignore this significant fact – one in which Mississippians should be proud?

The comparisons of base student costs that have Mississippi ranked 49th are from the 2001-2002 school year’s data. As previously mentioned, educational funding to the districts from the general fund in Mississippi has gone up 50%. Mississippi is currently tied for 3rd place in increased spending per student. Base student cost has risen from \$2,783 in FY 02 to \$3,957 in FY 05. This is an increase in state spending of over \$1,100 or 42% -- while the national average increased at only 4.9%. More current numbers obviously tell the real story.

“what disappoints me are threats to fire teachers, increase class sizes or raise local taxes if certain demands are not met. All were threatened last year and none of them materialized.”

All districts are required by law to provide a notice of non-renewal to certified staff by April 15, if they cannot employ those individuals the next school year. Without a firm budget, districts must make their best projections. No successful business would assume financial obligations without knowing they have resources to meet those obligations.

Last year, the department of education was requested to provide information on the impact of school district staffing based on the underfunding at the legislative budget office (LBO) level. This was never intended as a “scare tactic.” It was a prediction of what could have happened if funded at the LBO level. Most school districts were able to work within the budget that was eventually passed and not lay off teachers. Overall, schools employed more than 400 teachers this year than last, though most of the increased number in teachers were in the high growth districts.

ANSWER

Anyone who has been associated with the legislative process knows that the House and Senate have traditionally used the Legislative Budget Recommendation to serve as a placeholder until a conference committee writes the budget. Recently, though, the House has come out with their plan while the Senate used the traditional method. This has been manipulated by some to scare districts into thinking that the LBR would be the allocation for education. This is simply wrong. As an example, this year LBR is about \$30 million more than FY 05. This is the Senate’s only official voted-upon number. However, even the State Department of Education has released documents showing the Senate position to be \$110 million more than FY 05—more than covering the \$98 million teacher pay raise.